

# EXHIBIT C

## **BOARD POLICY No. 05-02-AESD**

### **SMOOTHING EMPLOYER CONTRIBUTION RATES**

STATE OF CALIFORNIA  
BOARD OF ADMINISTRATION  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

RESOLUTION

No. 05-02-AESD

Subject:     **Actuarial Policies - Smoothing Employer Contribution Rates**

- WHEREAS, 1.     On November 3, 1992, the people of the state of California passed Proposition 162, which amended Article XVI, section 17 of the California Constitution ("Section 17"), granting the CalPERS Board of Administration plenary authority and fiduciary responsibility for investment of moneys, providing for actuarial services, and administration of the Public Employees' Retirement System, the Judges' Retirement Systems, the Legislators' Retirement System, and the Volunteer Firefighters' Length of Service Award System (collectively "the Systems").
- WHEREAS, 2.     Section 17 requires the CalPERS Board to exercise its responsibility with respect to the Systems, subject to continuing fiduciary duties and specifies that the duty to participants and their beneficiaries takes precedence over any other duty.
- WHEREAS, 3.     The provisions of Section 17 expressly supersede any contrary provision of law or the Constitution.
- WHEREAS, 4.     Section 17 also vests the Board with the sole and exclusive power to provide for the actuarial services in order to assure the competency of the System.
- WHEREAS, 5.     In furtherance of its sole and exclusive duty to make actuarial determinations under Section 17, the Board has hired a Chief Actuary to advise the Board and to direct the activities of the Board's professional actuarial staff.
- WHEREAS, 6.     Also in furtherance of this sole and exclusive duty to make actuarial determinations, the CalPERS Board has retained the services of an outside consulting actuarial firm, to review the work of the Board's actuarial staff and to certify that such work satisfies professional actuarial standards.

WHEREAS, 7. Both the Board's Chief Actuary and its consulting actuary have advised the Board to adopt specific written policies regarding the actuarial practices that are most prudent for the Systems.

NOW, THEREFORE, BE IT RESOLVED:

That when the Board modifies the actuarial valuation of asset method or modifies the amortization methods to smooth out the impact of gains and losses on employer contribution rates, it shall consider all of the following:

- The impact on the preservation/advancement of funded status
- The impact on the estimated volatility of the annual change in employer contribution rates
- The impact on the estimated average employer contribution rate
- Compliance with Generally Accepted Accounting Principles

In order to further reduce the volatility in employer contribution rates and to improve the preservation/advancement of funded status, beginning with the June 30, 2004 actuarial valuations, the employer contribution rates for non-pooled plans and for risk pools will not be less than a rate equal to the employer normal cost minus the payment for a 30 year amortization of any surplus.

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I hereby certify that on the 20th day of April, 2005 the Board of Administration of the California Public Employees' Retirement System, made and adopted the foregoing Resolution.

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ROB FECKNER, PRESIDENT  
BOARD OF ADMINISTRATION  
CALIFORNIA PUBLIC EMPLOYEES'  
RETIREMENT SYSTEM